

PROPERTY

CONCRETE ANALYSIS

GROWING NEED FOR RESILIENT BUILDINGS

Disasters, infectious disease and economic pressure have put a greater focus on both a building’s attributes and property management

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As real estate adapts to immense change, it may be pertinent to look back at what has happened, to prepare ourselves for what may come.

Real estate owners today, grappling with falling revenues, are under intense pressure to contain costs and budgets have come under extra scrutiny.

However, rather than an arbitrary implementation of cost containment plans, property owners are advised to manage the total cost of risk and identify cost savings from a risk management perspective.

Within risk management, resilience is a critical component in making a building, and companies, more functional and productive. Actions to improve building resilience make economic and financial sense.

When Typhoon Mangkhut passed through our part of the region in 2018, it left behind US\$3 billion in economic losses and US\$900 million in insurable losses. Today, the economic impact on real estate from the current pandemic is also clear. More than 40 per cent of notified insurance claims due to Covid-19 have come from real estate.

Resilience is a critical component in making a building ... more functional

The losses real estate has suffered from these events arises from property damage and business interruption. As occupiers become more risk-aware, greater focus will be placed not only on building attributes, but also on property management. How effectively a building is managed will certainly interest insurers.

The risks posed by extreme weather events and infectious disease have evidently not gone away, while others are now more relevant than before. Cyber risks have become greater as demand has risen for technological solutions across the real estate spectrum. The digitalisation of real estate, driven by the smart building concept and the use of robotics, artificial intelligence and internet of things, presents additional exposure for stakeholders.

Cyberattacks pose a threat to network infrastructure, business continuity and data integrity. The potential cost of an attack has also risen due to the burgeoning privacy regulatory environment. In real estate, where information is often exchanged across different jurisdictions with differing regulations, implementing effective data protection controls into daily operating procedures is a major challenge.

The shift to remote working for many companies also increases the need for close alignment between people, processes and technology to enable controls across all the three pillars and mitigate the new emerging risks. In fact, breaches resulting from general human errors or social engineering account for more than 90 per cent of cyberattacks.

As the real estate industry



Resilient buildings that cover all risks, both operationally and physically, will command the highest values. Photo: Robert Ng

undergoes digital transformation, cybersecurity should be viewed as a key enabler of growth. Occupiers are demanding more from their space. A flight to quality will emerge from this disruption as companies opt for offices that aid greater productivity and serve to attract and retain the best talent.

Resilient buildings, in the broadest terms, covering all risks, both operationally and physically, will be in greater demand and command the highest values.

However, can risks be foreseen to increase preparedness and make assets more resilient?

The World Economic Forum Global Risks Report for 2019 highlighted the increased frequency of disease outbreaks, the erosion of important governance systems and protocols, a greater threat posed by an “innovative” pandemic and increased vulnerability to societal and economic impacts.

In particular, it highlighted a “roll-call of near-miss catastrophes” since 2000 and weaknesses in preparedness to detect, assess, report and respond to acute public health threats.

The report also contained a survey, the Global Risks Perception Study, assessing both the likelihood of a risk occurring globally within the next 10 years and its negative impact.

Of note among the results for the 2019 and 2020 editions of the study is that the spread of infectious disease did not rank among the 10 most likely risks in either year. This is not to say that the risk was not taken seriously, but rather that participants perceived more pressing concerns.

There are many reasons individuals, companies and governments may fail to act when faced with evidence of a possible threat, such as how scarce resources are allocated and possible first-mover disadvantage.

It is conceivable that a company allocating capital to mitigate some less tangible risks could be penalised in the short term relative to its peers by investors. However, I would also argue that these companies are also better placed to achieve higher risk-adjusted returns on a consistent basis.

Certain characteristics of our cognitive functioning may also dictate or shape our lack of action. Tim Harford, writing in the *Financial Times* about “Why we fail to prepare for disasters”, identifies some key behavioural characteristics that may be at play – normalcy bias, herd instinct, egotistical optimism, exponential myopia and wishful thinking.

In the Global Risk Perception Studies, extreme weather events and the failure of climate change mitigation and adaptation were rated the risks most likely to occur, and in the top three for their potential negative impacts. Survey respondents certainly cannot be accused of a lack of awareness of these issues.

With more information at our disposal, property owners, occupiers and investors can make better-informed risk-adjusted decisions. The outcome is likely to be greater demand for resilient, well-managed buildings.

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ON THE MARKET



**Kam Fai Mansion, Mid-Levels**  
On offer is a 1,254 sq ft flat with one bedroom, a study, one bathroom and one covered car parking space. The unit is on a high floor of the 58-year-old building.  
Asking price: HK\$28 million  
Agent: Melanie Krepp (6698 7740) of Okay.com



**Glamour Court, Pok Fu Lam**  
This 1,232 sq ft penthouse has three bedrooms with one en suite and two bathrooms. It also has a 1,113 sq ft roof and two covered parking spaces, plus one uncovered car parking space.  
Asking price: HK\$25 million  
Agent: Christine Chong (9648 6082) of Landscape Christie’s International Real Estate



RESIDENTIAL

Developer bullish as queries jump for luxury flats next to Buckingham Palace

Bloomberg

The developer of luxury flats next to Buckingham Palace is hoping it can defy predictions of a slump in upmarket London properties.

Northacre, which is developing No 1 Palace Street in St James’ Park and The Broadway in Westminster, had seen inquiries surge almost threefold in the first half compared with a year earlier, director Mustafa Kheriba said.

“The global pandemic will only increase demand,” said Kheriba, who is also deputy chief executive and head of asset and wealth management at Dubai’s Shuaa Capital.

“This, coupled with the changing environment for property development, with a shrinking workforce following Britain’s exit from Europe, will

impact the availability of stock, which in turn will limit stock and push up demand.”

Northacre’s optimism comes as broker Savills warns prices in London’s wealthiest districts will decline by 2 per cent this year as the lockdown to prevent the spread of the coronavirus discourages overseas buyers.

Still, Northacre expects

Buyers have had more time to dedicate to their property purchase

MUSTAFA KHERIBA, NORTHACRE

demand to be underpinned by Britain’s offer to provide British National (Overseas) passport holders living in protest-hit Hong Kong with a path to citizenship.

Buyers from Hong Kong and the mainland made up “10 per cent to 15 per cent of the appetite for prime central London”, Kheriba said.

The company is also seeing interest from India, Nigeria and Gulf countries.

“Inquiries in general have been much more focused,” Kheriba said. “Buyers have had more time to dedicate to their property purchase. Having spent months within the same four walls, they are also much more specific in terms of their needs and requirements.”

Northacre generated £60 million (HK\$587 million) of sales from the developments last year.

FACTS & FIGURES

Latest residential transactions

District	Estate	Age (years)	Area (sq ft)	Price (HK\$m)	Sq ft (HK\$)
HONG KONG					
Mid-Levels	Clovelly Court	26	1562	51.00	32,650
Wan Chai	Convention Plaza Apts	31	619	19.00	30,695
Tai Hang	Cavendish Heights	34	1439	43.80	30,438
North Point	City Garden	38-34	988	16.00	16,194
Quarry Bay	Taikoo Shing	33-42	689	12.28	17,823
Heng Fa Chuen	Heng Fa Chuen	31-34	600	9.55	15,917
Apleichau	South Horizons	25-28	863	18.50	21,437
Kennedy Town	University Heights	24	401	8.58	21,397
Pok Fu Lam	Chi Fu Fa Yuen	39-42	588	7.98	13,571
Happy Valley	Beverly Hill	32	1057	26.80	25,355
Aberdeen	Aberdeen Ctr.	38-41	451	6.18	13,703
Tai Tam	The Redhill Peninsula	28-30	2450	75.00	30,612
KOWLOON					
Cheung Sha Wan	Manor Centre	34	322	5.15	15,994
Tai Kok Tsui	Cosmopolitan Estate	44-46	320	4.13	12,906
Lai Chi Kok	Mei Foo Sun Chuen	42-52	467	6.52	13,961
Yau Ma Tei	Prosperous Garden	25-29	478	8.00	16,736
Kowloon Tong	Beverly Villa	40	1211	17.30	14,286
Yau Yat Chuen	Village Garden	25	805	17.88	22,211
Hung Hom	Whampoa Garden	29-35	505	8.95	17,723
Wong Tai Sin	Tin Ma Court (HOS)	33	351	5.00	14,245
To Kwa Wan	Wyler Garden	41-42	335	5.30	15,821
Lam Tin	Laguna City	27-30	522	7.90	15,134
Kowloon Bay	Richland Garden	35	447	5.75	12,864
Homantin, King’s Park	Chun Man Court (HOS)	39-40	519	7.17	13,815
Waterloo Hill, Perth St	Perth Garden	40	994	17.30	17,404
NEW TERRITORIES					
Kwai Chung	Wonderland Villas	34-36	813	9.90	12,177
Tsing Yi	Greenfield Garden	30-31	495	7.55	15,253
Tsuen Wan	Luk Yeung Sun Chuen	36-37	445	7.35	16,517
Tung Chung	Seaview Crescent	17-18	568	7.68	13,521
Castle Peak Road	Hong Kong Gold Coast	28-30	576	7.37	12,792
Tin Shui Wai	Kingswood Villas	24-29	1002	10.20	10,180
Tuen Mun	Siu Hong Court (HOS)	36-38	493	5.04	10,219
Yuen Long	Palm Springs	26-27	1198	13.30	11,102
Sha Tin	New Town Plaza	29	578	9.44	16,332
Ma On Shan	Sunshine City	26-27	369	6.32	17,122
Tai Po	Parc Versailles	24	1005	10.00	9,950
Lam Tsuen River North	Tai Po Centre	33-35	361	5.70	15,789
Fan Ling	Flora Plaza	25	526	6.63	12,605
Sheung Shui	Sheung Shui Centre	27	342	5.20	15,205

Source: Centaline Property Agency, based on preliminary sale and purchase agreements

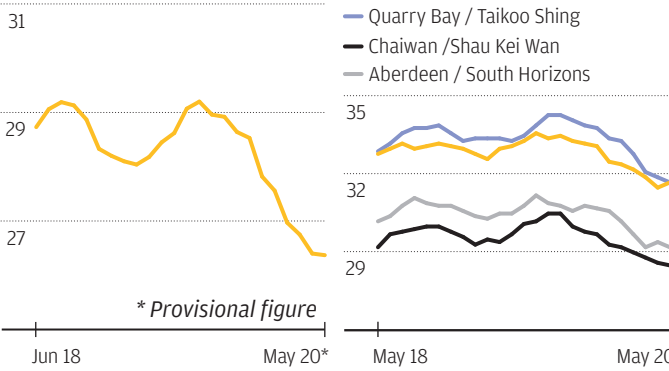
Prime office indicative rents

Prime office asking rents (HK\$ per sq ft) – as of end June 2020

HK Island (Figures in net floor area)	Tsim Sha Tsui
Admiralty Centre (Tower I & II)	China Hong Kong City (Tower I)
Lippo Centre	Lippo Sun Plaza
One & Two Pacific Place	Ocean Centre
Bank of America Tower	26 Nathan Road
Bank of China Tower	The Gateway (Tower 1)
Exchange Square	The Gateway (Tower 6)
Jardine House	130 International Commerce Centre
One International Finance Centre	Mira Place Tower 1
Two International Finance Centre	
The Landmark (Gloucester Tower)	
The Landmark (Edinburgh Tower)	

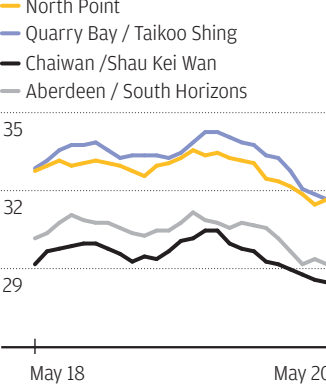
Rents for homes

Average rents of 100 housing estates (HK\$ per sq ft of gross floor area)\*



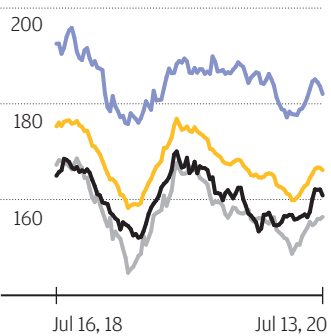
Average rents in selected districts

Rents (HK\$ per sq ft of gross floor area)

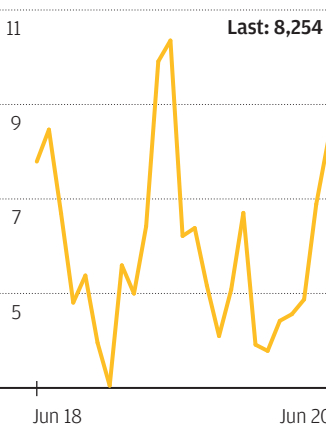


Midland property price index

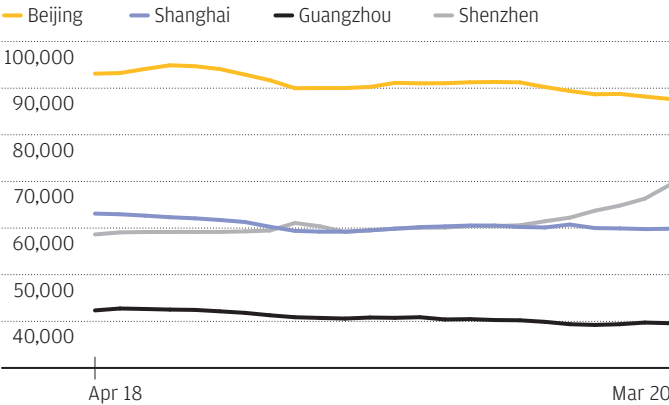
Hong Kong regional price indices



Property sales activity



Average Price of Secondary Residential Property in major cities



China property price (yuan)

Shanghai	Average price	No of units sold	Beijing	Average price	No of units sold
Lake Ville Phase 5	160,000	130	Color Cloud	69,000	182
Shanghai Lijing	97,000	94	Royal Mansion	61,000	518
Sheshan Riviera	60,533	5	Wonder Land	57,000	86
Jinxiuyulan	59,800	122	Campus One	45,000	78
Cloud Villa	36,000	95	Jinmao Beijing international community	31,700	250
Shenzhen					
Jingling Jiari	90,000	347	Guangzhou	Average price	No of units sold
Ultimate	68,000	1000	City Gather	51,000	181
Jinshun Xingyuan	52,600	58	Blue Bay	36,500	85
Royal Mansion	51,000	393	Shanghai liancheng	24,000	20
Zhaoshang Dongan	31,000	10	Hesheng Hushan	21,500	50
			CRCC International Mansion	21,000	19

Sources: CBRE, Midland Realty, Land Registry, Centaline China SCMP